

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 AGRE-00 /101 W
-----114059 131922Z /44

R 121245Z JUL 78
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 1802
INFO USDA WASHDC
AMEMBASSY RABAT

UNCLAS TUNIS 4975

DEPT ALSO PASS AID

RABAT FOR AGATT

E.O. 11652: N/A
TAGS: EAGR, TS
SUBJ: INCREASE IN GRAINS PURCHASE PRICE

1. TUNISIAN COUNCIL OF MINISTERS ANNOUNCED JULY 6
THAT OFFICIAL PURCHASE PRICES OF WHEAT AND BARLEY
WERE BEING INCREASED .465 TUNISIAN DINARS (TD) PER
QUINTAL (100 KILGRAMS) (US \$1 EQUAL TO .413 TD AS OF JULY
12, 1978) EFFECTIVE IMMEDIATELY.

PRICE CHANGES, FIRST SINCE 1974, FOLLOW:

--DURAM WHEAT FROM 7.135 TD TO 7.600 TD (US \$18.47);
--SOFT WHEAT FROM 6.535 TD TO 7.00 TD (US \$17.01); AND,
--BARLEY FROM 5.035 TD TO 5.500 TD (US \$13.37).

2. WE UNDERSTAND UNOFFICIALLY, FROM THE TRADE, THAT
PRICE INCREASES TO BE PAID FARMERS BY CEREALS OFFICE
(THE MONOPOLY BUYER) ARE EXPECTED TO BE COMPLETELY
COVERED BY INCREASED SUBSIDIES FROM GOVERNMENT COM-
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PENSATION FUND, RESULTING IN NO PRICE CHANGES FOR
MILLERS, FEED MANUFACTURERS OR CONSUMERS. INCREASED
COST OF SUBSIDIES IS EXPECTED TO BE MET BY SPECIAL
TAX ON IMPORTS ("TAXE DE COMPENSATION") THAT WAS
ENACTED LAST MARCH AND DEDICATED TO COMPENSATION FUND.

3. PURPOSE OF PRICE INCREASE AS ANNOUNCED BY COUNCIL

OF MINISTERS IS TO INCREASE INCENTIVES FOR GRAIN PRODUCTION. HOWEVER, THIS EFFECT WILL NOT BE SEEN UNTIL NEXT FALL'S PLANTING AND THIS YEAR'S HARVEST--NOW ALMOST COMPLETED--WILL BE PURCHASED BY CEREALS OFFICE AT THE NEW HIGHER PRICES. THEREFORE, TIMING OF PRICE INCREASE SUGGESTS IT IS ALSO EFFORT TO ALLEVIATE STRAIN OF PAST FOUR YEAR'S INFLATION ON FARMERS. FARMERS UNION (UNA) HAS LONG COMPLAINED OF INADEQUATE RETURNS TO COVER PRODUCTION COSTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GRAINS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TUNIS04975
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780287-0831
Format: TEL
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780767/aaaacejx.tel
Line Count: 72
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 89cb7e76-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2028992
Secure: OPEN
Status: NATIVE
Subject: INCREASE IN GRAINS PUCHASE PRICE
TAGS: EAGR, TS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/89cb7e76-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014